



Serving the People of California

CALIFORNIA EMPLOYER

First Quarter 1997

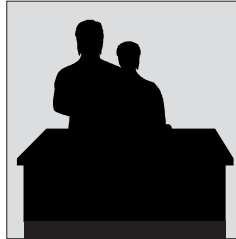
Do you employ a household worker?

Services that are provided in a private home, a local college club, or the local chapter of a college fraternity or sorority are considered household employment. Household workers typically include, but are not limited to, cooks, housekeepers, maids, nannies, and sometimes gardeners. If a person performs these services as a common law employee, that person may have to be reported to the Employment Development Department (EDD) and have Disability Insurance taxes withheld.

However, many people employ professional, self-employed contractors or contract with independent businesses to provide domestic services. These independent contractors should not be reported to EDD as employees. The factors shown at right can help you to determine if your worker may be a household employee.

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EMPLOYEE	INDEPENDENT CONTRACTOR
<ul style="list-style-type: none">• You establish the hours for the worker. You can require the worker to be on the job at certain times or days.• You establish the rate of pay. Sometimes, this may be calculated at dollars per hour.• You determine the duties to be performed and can change the tasks on any given day to suit your current wishes.• You can supervise the details of the work and give specific instructions as to how you expect it to be done.• The worker only works for you.• You provide cleaning supplies and equipment necessary to perform services.	<ul style="list-style-type: none">• The worker sets his/her own hours, and may change the days to meet other business needs. The hours spent on the job are not what you are paying for, but only that the end result is competently completed.• The worker sets the rate of pay, or it is negotiated on an equal basis. Payment is usually for a completed job, not the number of hours worked.• The worker performs a set of specific, negotiated duties for the price contracted.• You only verify that the duties negotiated are performed in a proper manner as agreed to, but how the worker performs those duties is not your concern.• The worker has several other clients and actively seeks new clients.• The worker provides his/her own supplies and equipment, but you may provide some incidental cleaning supplies.



Change of leadership for Small Business Employer Advisory Committee

Holly Culhane, the chairperson of EDD's Small Business Employer Advisory Committee (SBEAC), has ended her two and a half year tenure. Ms. Culhane, owner of PAS Associates of Bakersfield, resigned as chair due to increased responsibilities as a newly appointed member of the state Trade and Commerce Agency's Small Business Development Board, but will remain an SBEAC member.

The SBEAC was established in 1993 to provide EDD's Tax Branch with a small business perspective on employment tax issues. The committee, which meets quarterly, is composed of 25 members nominated by various trade and professional associations that serve the small business community.

Under Ms. Culhane's leadership, and with the active participation of all members, the SBEAC has become an important source of ideas and advice on employment tax issues for EDD. The committee has provided the Department with input on ways to ensure employment tax compliance in the small business community, while still operating in a business friendly way. Many recent initiatives undertaken by EDD were the result of analysis and focus group discussions at SBEAC meetings.

The committee was the driving force behind the redesign of the *California Employer's Guide*, and the new Employment Work Status Determination Process that enables business owners to get a written ruling from EDD on the status of

workers and other compliance issues. In addition, the SBEAC has helped to continually improve EDD's tax forms, and to implement the new annual reconciliation system.

The Director of EDD has asked Robert (Bob) Balck to replace Ms. Culhane as SBEAC Chair. Mr. Balck, an active member of SBEAC since its inception, represents the employee leasing industry on the committee. He is a founder and past president of the California Association of Professional Employer Organizations, and a recognized leader in his industry. Employers and others with issues or suggestions for the committee can write to: Mr. Bob Balck, c/o EDD, Attn.: Nancy Sullivan, 800 Capitol Mall, MIC 90, Sacramento, CA 95814.

EDD transitions to UI claim filing by telephone

Since January 1994, EDD has tested the practicality of filing Unemployment Insurance (UI) claims by telephone in



several locations. The service has been so successful that EDD has begun to phase it in statewide.

Telephone Claim Filing should be available throughout the state by April 1998. UI customers may file claims by telephone from home or from their local

EDD office, where they will continue to register for work. This new method of service delivery allows EDD to make more efficient use of staff time and department resources.

EDD Job Services, including registration for work, job order taking, and placement referrals, will continue to be delivered locally. Please place your job orders with EDD by calling the number listed in the State Government section of your local telephone directory, under *Employment Development Department, Employer Job Orders*.

Full first name and PIT wages now required

Beginning with the first quarter of 1997, employers will be required to include an individual's full first name and Personal Income Tax (PIT) wages when preparing the Quarterly Wage and Withholding Reports (DE 6 or DE 3B HW).

For paper filers, the correct name format to use is the full first name, middle initial (if any), then last name, separating each by a space (example: John L Doe). You also may report the last name first, but you must place a comma after the last name (example: Doe, John L).

PIT wages are defined as cash and noncash payments subject to California PIT, even if income taxes are not withheld from the wages. The calendar year total of the PIT wages reported

quarterly on the DE 6s or DE 3B HWs should agree with the amount reported annually on the employee's W-2 in Box 17 ("State Wages, Tips, etc."). Pension, annuity, and other deferred income distributions reported on Federal Form 1099R should not be reported as PIT wages.



Subject wages are used to determine Unemployment Insurance and Disability Insurance benefits. Most wages are considered "subject" wages, but for special types of employment and payments, refer to the appendices in the 1997 *California Employer's Guide*. For more information, please contact your nearest Employment Tax Customer Service Office.

Do you employ a household worker?

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All of these factors need to be weighed to determine if the worker is actually an independent contractor or simply working for you as an employee. No single factor will make the difference.

Even if your household worker is a common law employee, his/her wages do not have to be reported to EDD until you have paid the worker cash wages of \$750 or more in a calendar quarter. At that time, you are responsible for withholding and reporting State Disability Insurance to EDD. Once you pay cash wages of \$1,000 or more in a calendar quarter, you are also

responsible for reporting wages to EDD for Unemployment Insurance and Employment Training Tax.

If a significant number of the factors (shown on page one) indicate that your household worker may be an employee, and you pay the worker \$750 or more in cash wages, you may want more information on this subject. To request a copy of EDD's *Household Employment Information Sheet* (DE 231L), or to obtain a no risk determination on the status of your worker, please contact your nearest Employment Tax Customer Service Office.

UI forms reflect changes

The EDD is consolidating the Unemployment Insurance (UI) program into a few large centers to expand access to all of our services. As a result, some automated UI forms that you regularly receive have changed. Formerly, these forms had the local office's telephone number. Now, a reference to your local telephone directory is included on most forms. By calling the local number listed in your directory, you will be connected with a customer service representative who can answer your questions.

Employment tax info now available on CD

A variety of 1997 employment tax information is now available on compact disk (CD). Included are the *California Employer's Guide*, the *Household Employer's Guide*, the California Unemployment Insurance Code, and Tax Information Sheets (but no tax forms). The CD uses Folio® software and is available in the Windows® format at a price of \$18.95. For more information, or to order a CD, please call Data Management Group, Inc. at (888) 328-2648, or e-mail: caguide@datamgt.com.

California Employer

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The EDD is an equal opportunity employer/program and is subject to Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To obtain information about accommodations for disabilities, contact your local EDD office, listed in your telephone directory under "State of California, Employment Development Department." TDD users can reach EDD through the California Relay Service at 1-800-735-2929.

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